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C E N T R A L I N T E L L I G E N C E A G E N C Y

24 June 1957


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SUBJECT: NIE 43-2-57: THE PROSPECTS OF THE GOVERNMENT
OF THE REPUBLIC OF CHINA

1. The attached terms of reference for subject estimate were approved by the IAC representatives on 24 June.

2. The Director of Central Intelligence wishes to discuss the timing of the completion of this estimate at the IAC meeting scheduled for 25 June. Accordingly, due date of contributions and target date of the estimate will be determined after discussion at the IAC meeting.

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SUBJECT: TERMS OF REFERENCE: NIE 43-2-57: THE PROSPECTS OF THE
GOVERNMENT OF THE REPUBLIC OF CHINA

THE PROBLEM

To estimate the present strengths and weaknesses of the Government
of the Republic of China and its short and long term prospects.

SCOPE NOTE

NIE 43-2-57 should be concerned primarily with the problem of the
staying power of the Nationalist regime. This should involve: (1) a
review of economic and political conditions on Taiwan, primarily as they
affect this staying power; (2) an examination of GRC military strength
as related to the GRC ability to defend Taiwan and the offshore islands
against attack by Communist China; (3) the ability of the GRC to withstand
Communist China's subversive and propaganda tactics; and (4) the ability
of the GRC to maintain its international position.

Since these fields have been examined periodically (NIE 43-54,
43-55, 43-56) it should not be necessary to delve exhaustively into each of

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these subjects, but rather to concentrate primarily on the events of the past year or so and, in the light of these events together with those preceding them, to assess the prospects for the GRC to survive over the next few years.

In addition, because of the recent anti-American manifestations in Taiwan, NIE 43-2-57 should discuss the question of anti-American sentiment there.

I. POLITICAL AND ECONOMIC CONDITIONS ON TAIWAN

- A. Have there been any changes in the position and authority of the KMT on Taiwan over the past year or so? Have the relative positions of the KMT leaders been altered?
- B. Have opportunities for Taiwanese participation in the government improved? What elections were held during the past year, and what in general were the results and their significance?
- C. Have there been any significant developments during the past year in the support of the mainlanders and the Taiwanese for the National Government?

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1. Has significant disaffection developed among the Taiwanese? Among the mainlanders on the island?
To what extent has such disaffection been provoked by policies and actions of the Nationalist government?
Been inspired by Communist propaganda and subversion?
 2. What measures has the Nationalist government taken to increase popular support among the mainlanders on Taiwan?
Among the Taiwanese?
- D. Has the Nationalist government's ability to control Taiwan changed significantly? What trends are evident in government security measures? In their effectiveness?
- E. What economic gains have been made on Taiwan during the past year? To what extent is the economy still under strain?
Project the "Economic Indicators" chart and "Taiwan's External Accounts" chart on page 4 of NIE 43-56 through 1957. To what extent are the economic policies of the Nationalists directed toward the long-range economic improvement of Taiwan? What are the economic prospects for the next few years?

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II. MILITARY STRENGTH AND CAPABILITIES

- A. Have there been any significant changes in the military strength, organization, and training of the Nationalist Chinese? How effectively has the GRC planned for and utilized ^{available} ~~unstable~~ military manpower? What is the ratio of Taiwanese to mainlanders? What have been the effects of increased numbers of Taiwanese in the military services? Have there been any apparent changes in the morale of the armed forces?
- B. What are the military capabilities of the Nationalist Chinese with respect to defending Taiwan and the offshore islands?
- C. What trends are likely in Nationalist Chinese military capabilities?

III. THE INTERNATIONAL POSITION OF THE GRC

What changes have taken place in the international position and stature of the Chinese Nationalists since the publication of NIE 43-56, especially with respect to:

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1. Recognition by other governments?
2. Position in the UN and its affiliated agencies?
3. Acceptances of its attempts to interdict the foreign trade of Communist China?
4. Influence over and support from overseas Chinese?
5. Relations with and support from the US?
6. Relations with Japan? South Korea? the Philippines? the countries of Southeast Asia?

To what extent has the position of the Chinese Nationalists in third countries been affected by Chinese Communist diplomatic, propaganda and subversive activities?

IV. COMMUNIST CHINESE SUBVERSION ON TAIWAN

- A. What are the principal themes of Communist propaganda directed at Taiwan? What groups and what portion of the population and armed forces are reached by Communist propaganda?
- B. Is there evidence of increased Communist subversive activity on Taiwan? On what groups do Communist subversive efforts concentrate?
- C. To what extent has disaffection developed into active covert or overt opposition to the Government? To what extent have

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the Communists been successful in developing an underground organization on Taiwan? To what extent has disaffection resulted in defections to the mainland of government personnel, of military personnel, of civilian mainlanders?

- D. What are the prospects for Communist subversion over the next few years?

V. MORALE ON TAIWAN

- A. What trends in the psychological situation can be discerned among the principal groups on the islands -- the top leadership, the KMT, the armed services, and the civilian population? What are individual and group expectations for the future? What is the effect on morale of prolonged dependence on US? of the continued postponement of the return to the mainland? of developments on the mainland (including continued economic and military development and the attempt to show that non-Communist personalities and parties play an important role in "new China")? of the disturbances in the Satellites? of the economic situation of Taiwan? of the leadership's neo-confucian ideology, etc?

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- B. What is the extent and depth of anti-American feeling among the mainlanders? among the Taiwanese?

VI. GRC RELATIONS WITH THE UNITED STATES VIS-A-VIS STATUS OF FORCES

- A. What is the present state of US-GRC negotiations for a status-of-forces agreement?
- B. What is the GRC position on this question? How have negotiations for similar agreements, between the US and other countries, and their implementation where consummated, affected the views of the GRC concerning a US-GRC agreement? How have incidents in Taiwan, Japan, the Philippines and elsewhere, involving US armed forces personnel, affected the GRC views concerning such an agreement?

VII. FUTURE DEVELOPMENTS

- A. What are the prospects for greater political democracy under the Nationalist government in the short term? In the longer run? What changes in the relative positions of power and influence among the leaders are likely to take place? What

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effect would the death of Chiang Kai-shek have on the power and local support of the Nationalist government on Taiwan? In international circles? Who would be likely to succeed Chiang?

- B. What trends are probable in popular support for the Nationalist government among the Taiwanese and the mainlanders in the short run? in the longer run? What are the prospects for an increase in the number of defections to the mainland?
- C. How might the trends in the psychological situation and the policies of the GRC be affected over the next few years by: a relaxation of US policies toward Communist China? By serious unrest on the mainland? By continued growth in the mainland's economy, military power, and international influence? By a reduction in the levels of US economic and military assistance? By substantial defections to the mainland of prominent Chinese in Hong Kong and elsewhere overseas?

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- D. Is there any possibility that the Chinese Nationalist leaders might give up their objective of regaining control of the mainland? Under what circumstances?
- E. In general what are the prospects of the Chinese Nationalist government in the next few years? Over the longer period?

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